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Getting Green by Going Green: Should the Federal Government be in the Business of Subsidizing New Energy? (/full-blog/2011/09/getting-green-by-going-green-should.html)

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By Kelly Calder, Staff Member

Solyndra, a California solar panel manufacturer, recently shut down operations and expressed its intent to file Chapter 11 Bankruptcy.[1] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ecd1) Described as the “biggest green-tech flameout yet,”

Solyndra failed despite receiving over one billion dollars from investors[2] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_edn2) and a 535 million dollar loan from the U.S. Department of Energy's ("DOE") "Loan Guarantee Program." [3] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_edn3)

This is not the first solar energy company to file for bankruptcy; Solyndra joins two other American companies, Spectrawatt Inc. and Evergreen Solar Inc., which filed this past August.[4] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_edn4) Solyndra cited numerous reasons for its failure, including heavy competition from government subsidized Chinese manufacturers, but the primary question raised by observers is "whether [the Federal Government] should even be in the business of subsidizing new renewable energy technologies?" [5] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_edn5)

Solyndra's loan guarantee was a byproduct of The American Recovery and Reinvestment Act of 2009, which amended the Loan Guarantee Program by adding Section 1705.[6] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_edn6) According to the Department of Energy, this temporary program "authorizes loan guarantees for certain renewable energy systems, electric power transmission systems and leading edge biofuels projects that commence construction no later than September 30, 2011." [7] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_edn7) There are several criteria for receiving a loan guarantee, and the mission of the DOE's Loan Programs Office is to "enhance American competitiveness in the global economy of the 21st century." [8] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_edn8) Solyndra was the first company to receive such a loan.[9] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_edn9) and was considered by many to be its "poster child." [10] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_edn10) Solyndra's bankruptcy has been viewed by many as a devastating blow to the program.[11] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_edn11)

Despite the uncertainty engendered by Solyndra's bankruptcy, some still staunchly defend the loan program.[12] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_edn12) They explain that Solyndra represented less than two percent of the total loan commitments made by the DOE and also that, "with a capitalization of just \$4 billion, DOE has committed or closed \$37.8 billion in loan guarantees for 36 innovative clean energy projects." [13] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_edn13) The program's overall success should not be diminished because of the failure of one of its projects.

The DOE has not allowed Solyndra's bankruptcy to affect its loan policies. According to its website, the DOE just finalized a partial guarantee for an \$852 million loan to fund a California solar power plant dubbed the Genesis Solar Project.[14] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_edn14) In addition, First Solar Inc., which is also funded by the DOE, has been largely successful in its solar paneling manufacturing services.[15] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_edn15) First Solar employs the same "thin film" technique Solyndra did, but has managed to overcome the competitive market and overall decline in solar paneling prices.[16] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_edn16)

Upon examination of all the facts, it is apparent that Solyndra's financial failure is not evidence of government involvement gone wrong, but rather the product of multiple factors, including the inherent difficulties any startup faces when it fails to adapt quickly to unanticipated changes in the economy. While Solyndra's bankruptcy has been divisive, it should not be viewed as the death knell for the DOE's loan program; or prevent future programs like it.

- [1] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref1) Todd Woody, *What Solyndra's Bankruptcy Means for Silicon Valley Startups*, Forbes (Aug. 31, 2011, 3:07 PM), <http://www.forbes.com/sites/toddwoody/2011/08/31/what-solyndras-bankruptcy-means-for-silicon-valley-solar-startups/> (<http://www.forbes.com/sites/toddwoody/2011/08/31/what-solyndras-bankruptcy-means-for-silicon-valley-solar-startups/>).
- [2] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref2) *Id.*
- [3] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref3) U.S. Department of Energy Loan Programs Office, https://lpo.energy.gov/?page_id=45 (https://lpo.energy.gov/?page_id=45) (last visited Sept. 5, 2011).
- [4] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref4) *Solyndra Files Bankruptcy, Federal Loan Guarantee Given in Vain*, International Business Times New York (Sept. 1, 2011, 11:54 AM), <http://newyork.ibtimes.com/articles/207188/20110901/solyndra-bankruptcy-news-solar-panel-doe-omb.htm> (<http://newyork.ibtimes.com/articles/207188/20110901/solyndra-bankruptcy-news-solar-panel-doe-omb.htm>).
- [5] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref5) Woody, *supra* note 1.
- [6] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref6) U.S. Department of Energy Loan Programs Office, https://lpo.energy.gov/?page_id=41 (https://lpo.energy.gov/?page_id=41) (last visited Sept. 5, 2011).
- [7] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref7) *Id.*
- [8] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref8) U.S. Department of Energy Loan Programs Office, https://lpo.energy.gov/?page_id=17 (https://lpo.energy.gov/?page_id=17) (last visited Sept. 5, 2011).
- [9] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref9) Andrew Dodson, *Solyndra Follows Evergreen Solar, Files for Bankruptcy; Stimulus Questioned*, Booth Mid-Michigan (Sept. 2, 2011, 2:20 PM) http://www.mlive.com/business/mid-michigan/index.ssf/2011/09/solyndra_follows_evergreen_sol.html (http://www.mlive.com/business/mid-michigan/index.ssf/2011/09/solyndra_%20follows_evergreen_sol.html).
- [10] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref10) Woody, *supra* note 1.
- [11] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref11) *Supra*, notes 4 and 9.
- [12] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref12) Devon Swezey, *Solyndra's Failure Is No Reason To Abandon Federal Energy Innovation Policy*, Forbes (Sept. 2, 2011, 7:33 PM) <http://www.forbes.com/sites/energysource/2011/09/02/solyndras-failure-is-no-reason-to-abandon-federal-energy-innovation-policy/> (<http://www.forbes.com/sites/energysource/2011/09/02/solyndras-failure-is-no-reason-to-abandon-federal-energy-innovation-policy/>).
- [13] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref13) *Id.*
- [14] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref14) *DOE Finalizes Partial Guarantee for \$852 Million Loan to Support California Concentrating Solar Power Plant*, Department of Energy (Aug. 26, 2011), <https://lpo.energy.gov/?p=5153>

(<https://lpo.energy.gov/?p=5153>).

[15] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref15) Swezey, *supra* note 12.

[16] (http://www.blogger.com/post-create.g?blogID=8202935745006855383#_ednref16) *Id.*

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